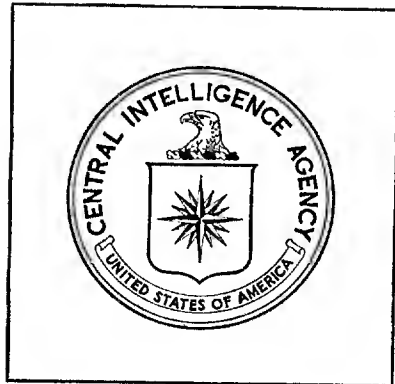


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*Aid and Trade Activities of Communist Countries  
in Less Developed Areas of the Free World, June 1975*

**Secret**

ER RP 75-21  
July 1975



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**CONTENTS AND SUMMARY OF EVENTS**  
(June 1975)**Highlights**

Communist-OPEC contacts accelerated during June. East Germany, Poland, and the USSR concluded their first economic agreements with Kuwait; the Soviet agreement reportedly provided a large Kuwaiti loan. Iran transferred US \$580 million in funds pledged earlier this year to Bulgaria and Romania as advance payments for agricultural products. Brazil received its record Communist aid commitment—\$150 million from Romania for steel industry development.

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The highlight of the Romanian presidential tour was the conclusion of a \$150 million credit agreement and two large commercial contracts with Brazil.

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The USSR, East Germany, and Poland concluded economic agreements with Kuwait during June.

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# AID AND TRADE ACTIVITIES OF COMMUNIST COUNTRIES IN LESS DEVELOPED AREAS OF THE FREE WORLD

Supplement to ER IR 75-16 (1 January-30 June 1975)

## *Overview*

During the first half of 1975, Communist countries extended new economic and military assistance totaling about \$955 million to less developed countries -- about \$575 million in economic aid and \$380 in military aid. East European economic commitments, bolstered by \$193 million in new Romanian credits, exceeded the Soviet effort.<sup>1</sup> Aid was distributed more widely than during the comparable period last year, as China turned from its traditional preoccupation with Africa to conclude aid agreements with countries in all Third World areas.

Funds from wealthier oil producers began to flow into Communist economies during the first half of the year. Iran transferred \$580 million to Bulgaria and Romania against future delivery of products needed by Iran, and Kuwait sponsored bond issues on behalf of Romania and Hungary to the value of \$140 million. Iran also agreed in principle to finance a paper complex in the USSR, and Kuwait apparently agreed to a large loan to the USSR. The Communist search for OPEC financing, which began late in 1974, intensified during the first six months of the year. Hungary, East Germany, and Poland, encouraged by their Communist partners' success, directed financial appeals to Kuwait. Budapest is negotiating for \$300 million of Kuwaiti assistance, and Poland and East Germany concluded agreements that may result in the provision of Kuwaiti oil funds. Kuwait also was considering equity participation in a \$1 billion petrochemical complex in Romania.

Egyptian and Indian disenchantment with Moscow's economic policies intensified during the year. Cairo has criticized Soviet delays on rescheduling repayments on military debt, while New Delhi has protested a Soviet decision to increase the value of the ruble relative to the rupee. New Delhi estimates that the Soviet action will mean a \$500 million increase in repayments for previous aid.

In spite of these frictions, India signed its largest military accord ever with the USSR, valued at \$200 million. Moreover, Moscow also resumed fighter aircraft

1. Negotiations under way with Argentina and Turkey at the end of June, however, should quadruple Soviet commitments above the half-year level.

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July 1975



deliveries to Egypt in February and finalized a major military agreement with Libya during Soviet Premier Kosygin's visit in May.

### *Economic Aid*

Communist countries pledged \$575 million in new economic aid to 20 Third World countries during the first six months of 1975 (see Table 1), almost matching last year's first-half commitments.

Table 1  
Communist Economic Aid Extended to Less Developed Countries  
1 January-30 June 1975

Million US \$										
	Eastern Europe									
	Total	USSR	China	Total	Bul- garia	Czecho- slovakia	East Germany	Hun- gary	Poland	Romania
<b>Total</b>	<b>574.7</b>	<b>188.0</b>	<b>164.7</b>	<b>222.0</b>	....	7.4	5.0	13.3	3.3	<b>193.0</b>
<b>Africa</b>	<b>158.9</b>	<b>73.1</b>	<b>58.8</b>	<b>27.0</b>	....	3.4	5.0	3.3	3.3	<b>12.0</b>
Chad	0.8	0.8	....	....	....	....	....	....	....	....
Congo	12.0	N.A.	....	12.0	....	....	....	....	....	12.0
Ethiopia	0.1	0.1	....	....	....	....	....	....	....	....
Gambia	16.1	....	16.1	....	....	....	....	....	....	....
Guinea Bissau	0.5	0.5	....	....	....	....	....	....	....	....
Mali	2.4	....	2.4	....	....	....	....	....	....	....
Morocco	35.0	....	35.0	....	....	....	....	....	....	....
Mozambique	29.3	10.0	4.3	15.0	....	3.4	5.0	3.3	3.3	....
Somalia	62.2	61.7	0.5	....	....	....	....	....	....	....
Togo	0.5	....	0.5	....	....	....	....	....	....	....
<b>East Asia</b>	<b>46.9</b>	....	<b>15.9</b>	<b>31.0</b>	....	....	....	....	....	<b>31.0</b>
Laos	1.2	....	1.2	....	....	....	....	....	....	....
Philippines	45.7	....	14.7	31.0	....	....	....	....	....	31.0
<b>Latin America</b>	<b>164.0</b>	....	<b>10.0</b>	<b>154.0</b>	....	4.0	....	....	....	<b>150.0</b>
Brazil	150.0	....	....	150.0	....	....	....	....	....	150.0
Ecuador	4.0	....	....	4.0	....	4.0	....	....	....	....
Guyana	10.0	....	10.0	....	....	....	....	....	....	....
<b>Near East and</b>										
<b>South Asia</b>	<b>204.9</b>	<b>114.9</b>	<b>80.0</b>	<b>10.0</b>	....	....	....	10.0	....	....
Bangladesh	61.0	51.0	....	10.0	....	....	....	10.0	....	....
India	6.8	6.8	....	....	....	....	....	....	....	....
Nepal	80.0	....	80.0	....	....	....	....	....	....	....
Pakistan	0.1	0.1	....	....	....	....	....	....	....	....
Sri Lanka	57.0	57.0	....	....	....	....	....	....	....	....

East European commitments at midyear once again surpassed those of the USSR, sparked by continued Romanian use of its aid program to develop new markets for machinery and equipment, as well as to secure new sources of raw materials. Romania accounted for more than 85% of new East European aid pledges so far in 1975.



Romania's initiatives took the form of a \$150 million credit to Brazil for steel industry development, a commercial contract to sell Brazil \$30 million worth of petroleum exploration equipment, and a \$31 million credit agreement with the Philippines for delivery and installation of a thermal powerplant. The Romanian credit accord is Manila's first with a Communist country. Total Romanian pledges to the Third World now exceed \$1.5 billion, most for financing equipment purchases. Hungary made available its first credit to Bangladesh.

Moscow's economic aid focused on old clients. Somalia received the largest Soviet assistance package to sub-Saharan Africa since 1969 - \$60 million for refugee resettlement and fisheries development. An unspecified portion of this aid is to be provided as grants. A further \$1.7 million worth of grain was delivered to Somalia as a gift. Bangladesh and Sri Lanka obtained credits in the \$50 million range for industrial projects. The agreement with Bangladesh contains provisions for some local cost financing, a departure from standard Soviet practice. Mozambique was promised \$10 million for development activity after 25 June, its independence day.

In February, Iran and the USSR concluded a major economic agreement, under which the USSR may accept its first development credit from an LDC. Tehran agreed in principle to provide credits for a paper complex in the USSR. Iran will take paper products in repayment. In turn, the USSR will continue work under its current construction program in Iran and will participate in a number of new projects under existing agreements.

Chinese pledges were somewhat higher than last year's first-half level and were more widely distributed. Four countries accepted their first Chinese assistance.

China became Nepal's major development aid donor in February with an \$80 million grant for construction of a 250-mile highway. China has been active in Nepalese economic development for more than 20 years. Peking rounded out its North African aid effort with its first credit to Morocco - \$35 million for construction of a sports complex in Rabat. Gambia and Mozambique also joined China's aid roster, accounting for most of the remainder of Peking's African commitments. The balance was for commodity shipments to old clients.

The Philippines received its first assistance from China in the form of a 33% reduction from the world market price of Chinese oil to be imported by Manila this year. This subsidy will amount to almost \$15 million in 1975.



~~Secret~~**Military Aid**

The \$382 million in Communist military aid extended to the LDCs during the first half of 1975 (see Table 2) raised military aid commitments since the beginning of 1955 to more than \$14 billion.

Table 2  
Communist Military Aid Extended to Less Developed Countries  
January-June 1975

Million US \$								
	Total	USSR	China	Eastern Europe				
				Total	Bul-garia	Czecho-slovakia	Hungary	Poland
<b>Total</b>	<b>382</b>	<b>342</b>	<b>2</b>	<b>38</b>	<b>N.A.</b>	<b>8</b>	<b>13</b>	<b>17</b>
Africa	22	22	....	....	....	....	....	....
Congo	17	17	....	....	....	....	....	....
Nigeria	Negl.	....	....	....	....	Negl.	....	....
Somalia	5	5	....	....	....	....	....	....
Latin America	30	30	....	....	....	....	....	....
Peru	30	30	....	....	....	....	....	....
Near East and								
South Asia	330	290	2	38	N.A.	8	13	17
Afghanistan	85	85	....	....	....	....	....	....
Egypt	2	....	....	2	....	1	1	....
India	216	200	....	16	....	....	....	16
Iran	5	....	....	5	....	5	....	....
Iraq	13	....	....	13	....	....	12	1
North Yemen	5	5	....	N.A.	N.A.	....	....	....
Pakistan	2	....	2	....	....	....	....	....
Syria	2	....	....	2	....	2	....	....

The USSR remained the top Communist donor, accounting for 90% of new military commitments. India, Afghanistan, and Peru were Moscow's principal clients. In February, the USSR and India signed a record \$200 million agreement for naval equipment, tanks, surface-to-air missiles, antisubmarine-warfare aircraft, artillery, and spares. Afghanistan initiated an agreement for \$85 million for tanks, armored personnel carriers, surface-to-air missiles, small arms, artillery, and support equipment to modernize Kabul's Soviet-equipped military forces. A \$30 million deal to supply helicopters to the Peruvian army represents Moscow's first sale of military aircraft to Latin America. Peru, which had purchased Soviet T-55 tanks and other ground forces equipment in 1973, remains the USSR's only Latin American arms customer.

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In addition to agreements to provide military equipment on credit, the USSR negotiated additional arms sales to Libya, bringing the value of contracts under a 1974 agreement to \$730 million. Libya purchases Soviet arms on commercial terms.

The value of Communist deliveries of military equipment to the Third World during the first half of 1975 totaled about \$625 million, up somewhat from the same period last year. Aircraft deliveries highlighted Communist arms transfers. Moscow resumed shipment of fighter aircraft to Egypt, and the first Soviet MIG aircraft moved into the inventories of the radical regimes in Libya and Uganda. Since February, 50 aircraft have been delivered to Egypt [redacted] including 26 MIG-23s, 18 SU-20s, 5 MIG-21s, and one helicopter. Deliveries are expected to total 68 aircraft and should be completed soon. Libya became the fourth Arab country to receive the advanced MIG-23 jet with the arrival of up to 21 of the aircraft in May. The USSR also shipped antiaircraft guns and possible surface-to-air missiles to Tripoli. Iraq received additional MIG-23s, along with Osa-class guided missile patrol boats and Zhuk-class patrol boats. Uganda received 25 Soviet MIG-21 jet fighters this year, the first supersonic aircraft in the Ugandan air force inventory. The aircraft were ordered under a major arms accord concluded last year.

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#### *Communist-LDC Petroleum Activities in First Half 1975<sup>2</sup>*

##### *Communist Aid to LDC Oil Industries*

By the end of June 1975, the USSR and Eastern Europe had committed \$1.6 billion of aid to 27 LDCs for development of their national oil industries. About one-half of this aid has been drawn. More than 85% has gone to Middle Eastern and South Asian countries, particularly India, Iraq, Syria, and Afghanistan. Among Communist donors, the USSR topped the list, accounting for about two-thirds of the total. (see Table 3).

The thrust of the aid programs varies widely among the donors. Moscow has concentrated its aid on exploration and production; East European countries have stressed construction of processing facilities. To support these aims, technicians have been sent to recipient countries – at least 3,000 are stationed abroad in 1975. Most come from the USSR; Algeria and Iraq have the largest contingents.

2. For Communist-LDC activities in 1974, see the *Monthly Report* dated February 1975. Comments and queries regarding this article are welcome. They may be directed to [redacted] of the Office of Economic Research, [redacted]

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Table 3

**Estimated Communist Aid to Third World Oil Industries  
1956 - June 1975**

Million Current US \$						
	Extended			Drawn		
	Total	USSR	Eastern Europe	Total	USSR	Eastern Europe
<b>Total</b>	<b>1,573.2<sup>1</sup></b>	<b>1,051.3</b>	<b>521.9</b>	<b>780.0</b>	<b>642.8</b>	<b>137.2</b>
Africa	48.9	37.0	11.9	31.7	29.4	2.3
Algeria	18.6	18.6	....	15.2	15.2	....
Ethiopia	11.7	11.7	....	11.7	11.7	....
Ghana	0.9	....	0.9	0.9	....	0.9
Mali	2.0	2.0	....	1.0	1.0	....
Morocco	1.7	0.7	1.0	1.5	0.5	1.0
Nigeria	6.0	2.0	4.0	1.0	1.0	....
Somalia	2.0	2.0	....	....	....	....
Sudan	3.0	....	3.0	0.4	....	0.4
Tunisia	3.0	....	3.0	....	....	....
East Asia	29.8	....	29.8	....	....	....
Indonesia	29.8	....	29.8	....	....	....
Latin America	122.5	64.0	58.5	47.3	39.3	8.0
Argentina	88.3	43.3	45.0	36.9	33.9	3.0
Bolivia	0.7	0.7	....	0.4	0.4	....
Brazil	13.0	5.0	8.0	10.0	5.0	5.0
Chile	20.5	15.0	5.5	....	....	....
Middle East	823.4	438.0	385.4	367.6	264.8	102.8
Egypt	138.3	87.3	51.0	103.3	81.3	22.0
Iran	81.0	77.0	4.0	77.0	77.0	....
Iraq	299.4	195.7	103.7	100.6	64.0	36.6
Jordan	2.0	2.0	....	....	....	....
North Yemen	1.0	1.0	....	0.5	0.5	....
South Yemen	3.0	1.0	2.0	0.6	0.5	0.1
Syria	274.5	49.8	224.7	61.4	17.3	44.1
Turkey	24.2	24.2	....	24.2	24.2	....
South Asia	548.6	512.3	36.3	333.4	309.3	24.1
Afghanistan	149.6	149.6	....	119.3	119.3	....
Bangladesh	16.2	16.2	....	12.4	12.4	....
India	321.7	300.6	21.1	161.4	142.3	19.1
Pakistan	59.6	44.4	15.2	40.1	35.1	5.0
Sri Lanka	1.5	1.5	....	0.2	0.2	....

1. In addition, China has provided credits totaling under \$5 million to the Congo, Nepal, Somalia, and South Yemen for oil surveys.



Aggressive Soviet and East European action to locate and develop additional sources of crude supplies through the provision of aid repayable in oil has tapered off since 1973. With wider marketing opportunities and higher oil and gas prices, LDC oil producers have been resisting long-term barter arrangements. Consequently, no new agreements for Communist-LDC oil development aid were signed in 1975. The USSR and Lebanon continued to negotiate their first oil and gas prospecting accord.

Against this background, Communist countries are focusing on implementing earlier accords, particularly those with Iraq. For example, the USSR began work in January on the 375-mile Baghdad-Basra petroleum products pipeline. Moscow is providing \$11 million worth of technical assistance for the project under 1971 credits. In resource development, work on expanding the capacity of Iraq's North Rumaila oilfield to at least 800,000 barrels per day (b/d) will be completed later this year. This work is being done under 1969 credits. In South Asia, oil was struck at the first Soviet exploratory well sunk in Sri Lanka. About 100 Soviet technicians are conducting oil and gas exploration in that country under a 1973 credit.

Among East European countries, Romania is the most active donor of oil development aid. Bucharest now accounts for nearly three-fourths of the \$520 million committed by Eastern Europe. Romanian technicians arrived in January to start work to augment refinery capacity at Banias in Syria under a \$180 million credit extended in 1972. Earlier in 1975, Bucharest gained an oil concession from Syria — the first known Communist entry into this Western-type arrangement. Romania also has applied for an oil concession from Lebanon, where it has been conducting surveys on a commercial basis.

The diversified character of Romania's programs is underscored by an April agreement with Jordan to explore for oil and to build a refinery on a joint venture basis. At the same time, 60 Romanian technicians began to install an additional pipeline to carry crude to Jordan's only refinery. Romania and Ecuador completed agreements in June for a joint oil exploration company to operate at several locations in Ecuador. The company also plans to participate in future pipeline construction. Similar proposals have been presented to several Latin American countries, but Ecuador is the first to take up the Romanian joint venture offer. Bucharest also agreed in June to send Brazil oil equipment under a \$30 million commercial credit.



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China, which has provided several LDCs with small amounts of oil development aid, is now pressing to acquire Western oil technology from the Third World. In January, a high-level Chinese delegation visited Venezuela, Mexico, and Trinidad and Tobago to discuss the exchange of oil industry technicians skilled in offshore oil exploration and development.

### *Communist Purchases of LDC Oil and Gas*

In the first six months of 1975, Communist purchases of crude from LDCs dropped to about 120,000 b/d, continuing the decline that began in 1974 (see Table 4). The fall-off reflects higher oil prices and LDC demands for hard currency payment. A sharp drop in East European imports to only about 70,000 b/d accounted for all of the decline. If this trend continues in the second half, East European purchases in 1975 will be 50% below those in 1974.

Faced with hard currency shortages, Eastern Europe probably will rely on the Middle East for less than 15% of its 1975 oil requirements. Soviet oil, which is sold to Eastern Europe<sup>3</sup> at an equivalent of about \$7 per barrel, is still less costly than the nearly \$11 per barrel charged by Middle Eastern countries. If East European purchases from the Middle East continue to be cut back, Moscow probably will be forced to make up the shortfalls at the expense of its lucrative hard currency oil trade with the West - \$2.6 billion in 1974.

Soviet oil purchases from the Middle East - mainly on a barter basis from Iraq - amounted to only about 50,000 b/d in the first half of 1975. To help meet East European needs, imports on Soviet account probably will increase later this year beyond the 88,000 b/d<sup>4</sup> of oil bought from Arab states in 1974. Moscow also is seeking long-term suppliers for Eastern Europe. Kosygin probably pressed the Libyans on this subject during his May visit. Price disputes with Libya have precluded deliveries under sizable barter accords signed with most East European countries in 1974. At the same time, the USSR may have reached preliminary agreement with Tripoli to buy large amounts of Libyan crude in 1975 in exchange for military and industrial equipment. Tripoli is more likely to accept barter accords to boost oil sales now that oil revenues have fallen. Moscow also has offered to barter military equipment for Kuwaiti oil.

The volume of Soviet gas imports from Afghanistan and Iran in 1975 will rise slightly, to nearly 450 billion cubic feet. In the wake of 1974 price increases,

3. Romania, a net oil exporter until this year, does not import oil from the USSR.

4. Including 78,000 b/d from Iraq, 6,000 b/d from Syria, and 4,000 b/d from Egypt.

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Table 4

**Communist Oil Purchase Agreements  
Signed with Middle Eastern and North African Countries  
January-June 1975**

Supplier/Buyer	Month Signed	Duration of Agreement	F.O.B. Price per Barrel (US \$)	Barrels per Day in 1975	Payment Terms
<b>Total</b>				<b>121,970</b>	
Algeria				13,000 <sup>1</sup>	
Bulgaria	N.A.	1975	N.A.	5,000	N.A.
USSR (for Yugoslavia)	May	1975	11.75	8,000	Under a \$54 million Soviet credit to Yugoslavia.
Egypt				8,400	
Bulgaria	N.A.	1975	N.A.	5,000	N.A.
USSR	Apr	1975	N.A.	3,400	N.A.
Iran				11,260 <sup>2</sup>	
Czechoslovakia	Feb	1975	N.A.	2,000	Possible repayment for 1969 Czechoslovak credit.
Hungary	Apr	1975	10.45	1,200	N.A.
Romania	Feb-May	1975	N.A.	8,060	N.A.
Iraq				62,660 <sup>3</sup>	
Czechoslovakia	Jan-May	1975	11.12	3,800	Part of which is aid repayment for Czechoslovak-built Basra refinery.
	Feb	1976	N.A.	....	6,000 b/d for delivery in 1976.
	Mar	1975	11.00	1,600	Hard currency.
East Germany	Feb	1975	10.43	6,000	Under a 3-year agreement concluded in 1974.
Hungary	Jan-Apr	1975	10.40 - 10.95	9,660	Barter under a 5-year trade agreement concluded in 1974.
Romania	Jun	1975	N.A.	1,600	N.A.
USSR	Jan	1975	10.88	40,000	Shipments on Soviet account to third countries; initial arrangements made under 1972 barter contract.
Kuwait				20,000	
Romania	Jan-Apr	1975-77	10.36	20,000	Hard currency, 60-day credit, purchases of 22 million barrels of oil over a 3-year period.

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Table 4  
Communist Oil Purchase Agreements  
Signed with Middle Eastern and North African Countries  
January-June 1975  
(Continued)

Supplier/Buyer	Month Signed	Duration of Agreement	F.O.B. Price per Barrel (US \$)	Barrels per Day in 1975	Payment Terms
Libya				N.A.	
Poland	Jun	1975	N.A.	N.A.	Barter for equipment and services for oil development.
Syria				6,650	
Bulgaria	N.A.	1975	N.A.	5,000	N.A.
Romania	Feb	1975	10.00	1,650	Probable downpayment under 1974 aid agreement to build Banias refinery.

1. In 1975 the PRC is scheduled to receive 2,000 b/d of Algerian crude at \$12.20 per barrel under their 1974 accord.
2. Bulgaria plans to import 10,000 b/d of Iranian crude in 1975, but an agreement apparently has not been reached.
3. The PRC is scheduled to receive 1,200 b/d of crude from Iraq in 1975 under their 1974 agreement; Bulgaria plans to import 20,000 b/d of Iraqi crude in 1975, but an agreement apparently has not been reached.

the Soviet import bill for natural gas should increase 20%, to approximately \$240 million. In April the USSR, Iran, and a West European consortium concluded an arrangement for gas sales to West Germany and several other West European nations. Iran will provide an additional 470 billion cubic feet of gas annually at the Soviet border beginning in 1981. Deliveries will be made through a new pipeline to be built by Tehran to its border with the USSR. Moscow will consume at least part of the Iranian gas, substituting Soviet gas at the Western terminal.

#### *Communist Oil Sales to the LDCs*

In the first half of 1975, Moscow sold 105,000 b/d of oil to 14 LDCs -- already surpassing the 100,000 b/d shipped to these countries in 1974. India (24,000 b/d) and Brazil, Greece, and Portugal (20,000 b/d each) are the largest purchasers. In its oil trade with the LDCs, Moscow is increasingly using Middle Eastern crude obtained under barter arrangements. This oil is resold at world market prices for hard currency.

The People's Republic of China is negotiating to expand its small LDC oil market outside East Asia to include Brazil. Oil provides Peking with a desirable

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commodity to balance its large trade deficit with that country. Laos, the Philippines, and Thailand, China's only other commercial Third World oil clients, will receive a total of 16,000 b/d of oil in 1975 on a concessional basis. China's total oil exports in 1975 should grow to 195,000 b/d from 135,000 b/d in 1974, with Japan taking the lion's share. This would provide hard currency earnings of about \$800 million, up from \$450 million last year. These earnings have helped to offset the impact of shrinking world markets for traditional Chinese exports and rising prices for imported machinery.

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## Monthly Report, June 1975

### Africa

#### *Zaire Receives First Chinese Military Equipment*

China delivered six tanks, antiaircraft guns, and other equipment to the Zairian armed forces in early June. These are the first deliveries under a military grant aid agreement signed earlier this year [REDACTED]

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### Europe

#### *Portugal Concludes First Agreements with Romania*

Portugal concluded its first economic cooperation and trade agreements with Romania in mid-June. The economic agreement envisions Romanian assistance for the development of the Portuguese mining, metals manufacture, power, and transportation industries. Under the trade accord, Romania will deliver 400,000 tons of corn to Lisbon during the remainder of 1975 as well as provide agricultural technicians. Portuguese exports under the new agreements were not announced. Although export of Romanian military equipment was discussed, no agreement was signed. [REDACTED]

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### Latin America

#### *Romania's President Ceausescu Tours Latin America*

Romania's President Ceausescu visited Brazil, Mexico, and Venezuela in June for wide-ranging discussions on a number of economic and commercial matters. Several agreements were signed with Brazil that will substantially upgrade economic relations between the two countries. The major agreement calls for \$150 million in Romanian credits for the purchase of equipment for the Brazilian steel industry. The credits are repayable over 12 years at 8%. Commercial contracts signed at the same time should also contribute to a sizable increase in trade over the current \$45 million level. Brazil signed contracts to purchase \$30 million worth of Romanian oil exploration equipment on short-term credits and to sell 25 million tons of iron ore over 10 years, beginning in 1976. At current prices the ore contract is worth well over \$300 million. The two sides also signed a long-term trade and

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payments agreement, a maritime transport accord, and an economic agreement specifying Romanian assistance to the mining and pharmaceutical industries.

[REDACTED]

Negotiations in Venezuela and Mexico produced less dramatic results. Agreements signed in Caracas called for cooperation in petroleum development and mining, with details to be announced later. Discussions in Mexico centered on the development of nuclear power and joint venture tourism projects.

[REDACTED]

#### *Mexico Negotiating First Long-Term Soviet Credit*

Mexico is considering a Soviet offer of credits for hydroelectric equipment, repayable over 10 years at 3% interest. A Mexican official was due in Moscow in late June to negotiate final arrangements. Any agreement would crown years of Soviet efforts to interest Mexico in the use of Soviet credit facilities for financing power generation equipment.

[REDACTED]

#### *Near East and South Asia*

##### *Status of Iranian Credits to Eastern Europe*

By late June, Iran had made advance payments of \$580 million to Romania and Bulgaria for commodities needed by Iran. About \$420 million went to Bucharest under an agreement signed in December 1974 – Iran's first major economic assistance to a Communist country. The credit is to be repaid in agricultural and other products. Sofia received \$160 million for development of agricultural and livestock industries to produce goods for export to Iran. Both credits probably carry commercial-type terms.

[REDACTED]

Tehran is pursuing other credit arrangements with East European countries. The Polish-Iranian industrial subcommittee held talks in mid-June on expanding economic cooperation. Iran's recent offer of a \$100 million credit to help establish a paper plant in Poland probably was discussed as was implementation of \$100 million of outstanding Polish credits to build sugar mills, textile plants, and other projects in Iran. Repayment will be largely in oil.

[REDACTED]

##### *Kuwait Signs Economic Agreements with Communist Countries*

During June, Kuwaiti officials negotiated several economic agreements that will result in an increased flow of Kuwaiti funds to Communist countries.

[REDACTED]



25X1 [redacted] a Soviet banking delegation which arrived  
early in the month arranged a large loan. [redacted]

25X1 [redacted]

By mid-month, Poland signed an economic and technical cooperation agreement. Polish officials later expressed satisfaction at the loan negotiated with Kuwait during the visit, although the value and terms were not announced. The success of other East European countries in negotiating Kuwaiti and Iranian financing has sharpened Warsaw's interest in competing for surplus Arab funds.

25X1 [redacted]

East Germany announced the conclusion of long-term trade and economic agreements on 20 June. Under the trade accord, equipment will be delivered for Kuwait's electrification program; the economic agreement calls for cooperation in industry and investment. At the end of the month, Kuwait was still studying a Hungarian request for a \$300 million loan. [redacted]

25X1 Over the past year, East European countries have received almost \$720 million in OPEC funds. Kuwait has provided \$140 million of this amount in the form of bond subscriptions on behalf of Hungary and Romania. Kuwait also has discussed participation in a \$1 billion joint-venture petrochemical complex in Romania. [redacted]

## OTHER ACTIVITIES

### Economic

#### Africa

25X1 *Congo.* Romania will deliver tractors and other agricultural machinery to Congo to assist in mechanization of agriculture under a protocol signed recently. Romania also is providing financial assistance for iron ore exploitation in Congo.

*Libya.* Consultations between the Polish Deputy Premier and high-level Libyan officials resulted in an agreement on increased Polish participation in Libyan development projects and the sale of Libyan oil to Poland. Details on the new agreement were not announced. Among Communist countries, Poland is the most actively involved in Libyan development projects, with an estimated 2,500 Polish



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25X1 laborers and technicians present in Libya. To date, Libya has paid cash to Polish contractors, but the new oil agreement suggests that these services will now be paid in oil. Decreased oil production and sales to all customers have cut heavily into Libyan revenues and have forced Tripoli to seek outside financing for development. [REDACTED]

25X1 *Gambia.* The Gambian President traveled to Peking to discuss specific projects to be financed under a \$16 million Chinese credit extended earlier this year. [REDACTED]

25X1 *Somalia.* Romania signed a protocol to assist Somalia in the development of animal husbandry and fodder processing. The terms of the agreement were not announced. [REDACTED]

25X1 *Tanzania.* China signed a two-year agreement to train Tanzanians in the operation of machinery used by China during a recently completed program of water well drilling. [REDACTED]

#### Latin America

25X1 *Argentina.* A Soviet mission arrived in Argentina in mid-June to continue studies of a hydroelectric project on the Middle Parana River. Moscow hopes to obtain a contract to supply turbines for the \$2 billion project. [REDACTED]

25X1 *Colombia.* Bogota broke into the Cuban market with the sale of 10,000 tons of rice in June. Additional sales to Cuba were to be discussed by a Colombian mission that departed for Havana late in June. [REDACTED]

25X1 *Ecuador.* Ecuador announced plans to send its first trade mission to China in July. The delegation is to sign a trade agreement and negotiate the establishment of reciprocal missions. The trade agreement has been under negotiation for almost a year. [REDACTED]

25X1 *Trinidad and Tobago.* A petroleum mission from Trinidad and Tobago arrived in China, presumably to discuss the exchange of expertise between the petroleum industries of the two countries. Earlier this year, Peking proposed the exchange of oil technology, presumably with the aim of improving the Chinese performance in exploration and exploitation of offshore deposits. [REDACTED]

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The Prime Minister of Trinidad and Tobago arrived in Moscow late in June for discussions with Soviet officials on technical cooperation in the oil industry, fisheries, agriculture, and trade. [REDACTED]

25X1

#### Near East and South Asia

*General.* The Arab-Soviet Chamber of Commerce held its first meeting in Moscow on 2 June to examine cooperation in the irrigation and development of arid lands. The organization was established in 1973 under an agreement between the Soviet Chamber of Commerce and Industry and a union of Arab Chambers of Commerce to promote expansion of commercial cooperation. [REDACTED]

25X1

*Egypt.* East Germany completed work on a transformer station that will provide the industrial region of Alexandria with power from Aswan. East Germany has completed 30 transformer stations in Egypt since the early 1960s, probably under credit. [REDACTED]

25X1

*India.* The USSR and India have reached agreement on Soviet construction of a subway in Calcutta, a project which has been under negotiation for several years. [REDACTED]

25X1

*Iran.* Iranian trade turnover with Hungary and East Germany is planned at \$225 million over the next year under protocols signed in June. Although Iran is capable of expanding non-oil exports to meet this goal, prospects are not bright that the two East European countries, particularly East Germany, will increase non-oil purchases to this level over the next year. [REDACTED]

25X1

*Iraq.* Iraq has ratified a protocol calling for the establishment of a joint fishing company with the USSR. [REDACTED]

25X1

*Sri Lanka.* Sri Lanka's Minister of Irrigation discussed further Chinese assistance to the Gen Ganga irrigation and flood control project during a visit to Peking. Chinese activity on the project is being financed under a 1972 credit of \$44 million. [REDACTED]

25X1

*Syria.* In mid-May, Syria announced the ratification of a \$20 million credit agreement with the USSR for agricultural and petroleum development projects. The agreement probably covers allocation of funds under 1972 and 1974 agreements. [REDACTED]

25X1



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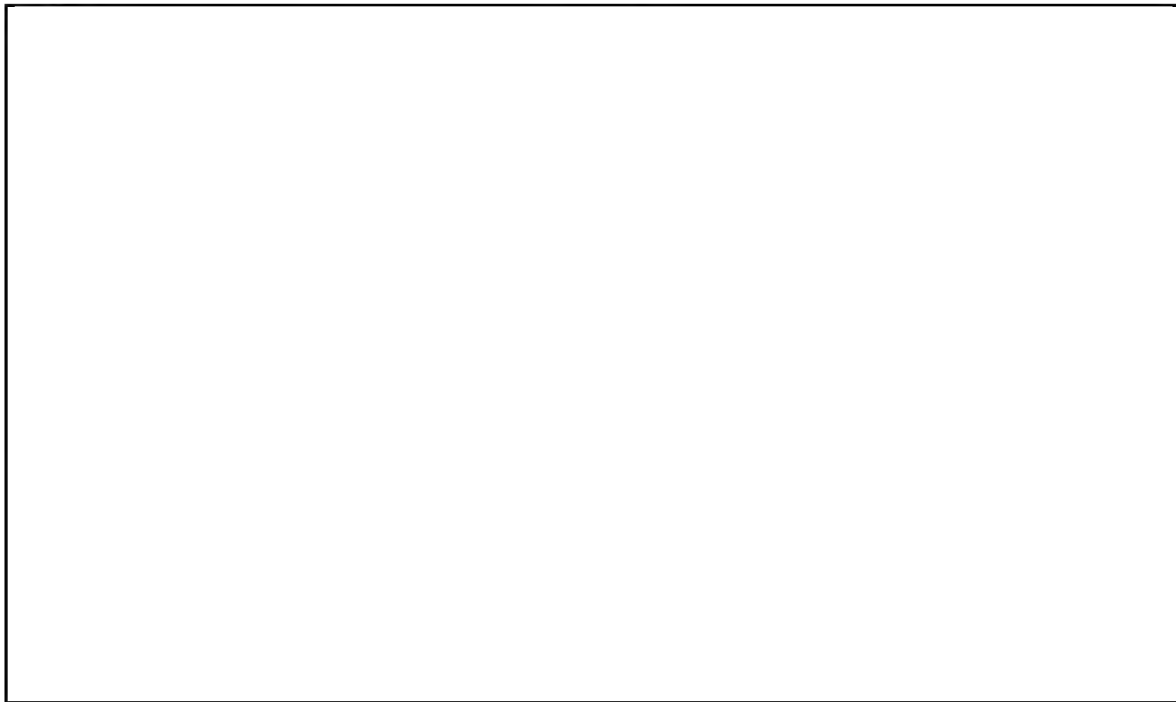
Military

**Africa**

*Congo.* Congo and East Germany signed a military cooperation agreement in Brazzaville at the conclusion of a visit by an East German military delegation in late May. In 1973 the two countries signed a small agreement for 500 East German rifles, delivered to the Congo later that year.

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